

Message Text

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ORIGIN SS-25

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ARA:HWSHLAUDEMAN NSC:JBUSHNELL (SUBS)

S/S:MR. GAMMON

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O 271459Z SEP 73

FM SECSTATE WASHDC

TO AMEMBASSY SANTIAGO IMMEDIATE

C O N F I D E N T I A L STATE 192327

E X D I S

E.O. 11652: GDS

TAGS: EAGR, EAID, CI

SUBJECT: CCC CREDIT FOR WHEAT

REF: STATE 188023

1. AS STATED REFTEL WE ARE PREPARED EXPEDITE CCC CREDIT TO PERMIT GOC TO FINANCE ITS IMMEDIATE WHEAT REQUIREMENTS. WE ARE ASSUMING THIS WOULD BE FOR 100,000 MT CITED SANTIAGO 4607. BEFORE WE MOVE AHEAD HOWEVER WE MUST HAVE REQUEST FROM EMBASSY AND GOC AS INDICATED PARAGRAPH ELEVEN REFTEL. PLEASE ADVISE IMMEDIATELY USING NORMAL DISTRIBUTION CHANNELS.

2. PROCEDURES ARE AS FOLLOWS: CCC WILL REQUIRE A FORMAL REQUEST FROM THE GOC--WE ASSUME ECA WILL BE PURCHASING AGENCY--DETAILING WHAT COMMODITIES ARE REQUIRED, IN WHAT QUANTITIES AND FOR HOW LONG THE GOC WISHES THE CREDIT TO REMAIN IN EFFECT. CCC WILL ALSO NEED TO KNOW IF THE GOC INTENDS TO USE THE CREDIT TO COVER EXISITNG CONTRACTS WITH

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GARNAC AND COOK OR FOR NEW CONTRACTS. CCC CREDITS CAN BE

USED ONLY FOR U.S. COMMODITIES.

3. THE REQUEST CAN BE CHanneled TO CCC EITHER THROUGH U.S. EMBASSY, SANTIAGO, OR DIRECTLY BY CHILEAN EMBASSY IN WASHINGTON.

4. CCC WILL REQUEST NAC AUTHORIZATION TO ISSUE THE CREDIT AND UPON NAC APPROVAL WILL NOTIFY U.S. EXPORTERS THAT CREDIT LINE HAS BEEN ESTABLISHED. INTERESTED U.S. EXPORTERS WILL APPLY TO CCC FOR FINANCING APPROVALS TO COVER ANTICIPATED SALES TO CHILE. ONCE THE INITIAL REQUEST HAS BEEN APPROVED BY THE NAC AND THE LINE OF CREDIT ESTABLISHED, CONTACTS ARE BETWEEN THE IMPORTER AND THE EXPORTER AND THE CCC DEALS DIRECTLY WITH THE U.S. EXPORTER.

5. CONTRACTED SALES ARE REGISTERED WITH THE CCC. THE GOC THEN OPENS AN IRREVOCABLE LETTER OF CREDIT IN FAVOR OF THE COMMODITY CREDIT CORPORATION. THE LETTER OF CREDIT COULD BE WITH EITHER, OR BOTH, THE BANCO DE CHILE--WHICH PRESENTLY HAS A CCC CREDIT CEILING OF 22 MILLION DOLLARS--AND THE BANCO DE ESTADO DE CHILE--WHICH HAS A 22.4 MILLION DOLLAR CREDIT LIMIT.

6. THE LETTER(S) OF CREDIT SHOULD BE CONFIRMED ONE HUNDRED PERCENT FROM COMMERCIAL RISKS BY A U.S. BANK. THIS WILL ENABLE THE GOC TO OBTAIN THE CCC CREDIT AT NINE POINT FIVE PERCENT RATHER THAN THE USUAL TEN POINT FIVE PERCENT WHICH IS REQUIRED IF NOT CONFIRMED BY A U.S. BANK. THE FINANCING IS THREE YEARS WITH EQUAL ANNUAL PAYMENTS OF PRINCIPAL AND ACCRUED INTEREST. PAYMENT IS DUE ON ANNI-VERSARY DATE OF EXPORT. THIS IS PROVIDED FOR IN LETTER OF CREDIT. BEGIN FYI: USDA REPORTS THAT EITHER OF THE TWO U.S. BANKS THAT WERE OPERATING IN CHILE IN THE EARLY PART OF THE ALLENDE ADMINISTRATION--THE BANK OF AMERICA OR FIRST NATIONAL CITY BANK--WOULD BE ACCEPTABLE TO THE CCC TO PROVIDE THE COMMERCIAL RISKS GUARANTY. THE DEPARTMENT HAS NOT EXPLORED THIS POSSIBILITY WITH THESE INSTITUTIONS. END FYI.

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7. SHIPPING CAN BEGIN AS SOON AFTER THE SALES CONTRACT IS MADE AS LOGISTICS PERMIT--GRAIN DELIVERED TO PORT, SHIPPING CONTRACTED, ETC. ONCE THE FINANCING APPROVAL IS ISSUED BY THE CCC, IT IS UP TO THE IMPORTER AND EXPORTER TO AGREE UPON SHIPPING ARRANGEMENTS AND TYPE DELIVERY--FOB OR FAS. FREIGHT AND INSURANCES CHARGES MUST BE BORNE BY IMPORTER.

8. THE CCC ACQUIRES THE ACCOUNT RECEIVABLE OF THE EXPORTER BY DISBURSING TO HIM THE VALUE OF COMMODITIES SHIPPED.

9. AS THIS TRANSACTION WOULD BE THE FIRST DEPARTURE FROM THE FREEZE ON NEW CCC CREDITS INITIATED LAST MARCH AND THERE ARE MANY OTHER NATIONS WHICH HAVE CREDIT REQUESTS PENDING, ANNOUNCEMENT OF THIS CREDIT WILL UNDOUBTEDLY GENERATE A LARGE NUMBER OF INQUIRIES AS TO WHY CHILE WAS GIVEN PRIORITY. IT IS OUR POSITION THAT THE WHEAT SHORT-AGE IN CHILE CONSTITUTES AN IMMEDIATE EMERGENCY SITUATION AND WE ARE SIMPLY FACILITATING GOC EFFORTS TO MEET THIS REQUIREMENT. YOU SHOULD MAKE IT CLEAR THAT EMBASSY IS NOT IN POSITION TO SPEAK TO THE ISSUE OF GENERAL U.S. POLICY ON CCC CREDITS.

10. YOU SHOULD INFORM THE GOC OF PERTINENT PORTIONS FOREGOING AND SUGGEST THAT THEY INITIATE CONTACTS WITH U.S. BANKS ON GUARANTY. WE ALSO BELIEVE IT IS IMPORTANT THAT ECA OFFICIAL WITH EXPERIENCE IN SUCH MATTERS AND NEGOTIATING AUTHORITY COME TO U.S. TO HANDLE CONTRACTUAL MATTERS WITH U.S. EXPORTERS DIRECTLY. KISSINGER

NOTE BY OC/T: EXDIS CAPTION INSERTED PER S/SO, MR. KURZE.

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